Nebraska Public Service Commission

COMMISSIONERS:
ANNE C. BOYLE
LOWELL C. JOHNSON
ROD JOHNSON
FRANK E. LANDIS
DANIEL G. URWILLER

EXECUTIVE DIRECTOR:
ANDY S. POLLOCK

RECEIVED
SEP 5 - 2001
FCC MAIL ROOM

DOCKET FILE COPY ORIGINAL

300 The Atrium, 1200 N Street, Lincoln, NE 68508
Post Office Box 94927, Lincoln, NE 68509-4927
Website: www.nol.org/home/NPSC
Phone: (402) 471-3101
Fax: (402) 471-0254

NEBRASKA CONSUMER HOTLINE:
1-800-526-0017

August 27, 2001

DOCKET FILE COPY ORIGINAL

Ms. Magali R. Salas
Secretary
Federal Communications Commission
445 12th Street, SW Portals II Building
Washington, DC 20544

RE: CC Docket No. 00-199; 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers.

Dear Commissioners:

We appreciate that the states were included in discussions on the crucial issues surrounding the reform of the FCC's Class A accounting system. In general, we support the proposed reduction of nearly 40% in the number of accounts. However, we urge that you proceed cautiously with reducing regulatory oversight and continue to ensure that necessary information is available to regulators.

We feel it is important to note that AT&T lost more than 40% of its market share before it was found to be non-dominant and de-regulated. In addition to loss of market share, a significant part of this determination was based on the fact that other long distance carriers had a significant amount of facilities in the ground and would not be forced to use AT&T facilities. This is not the case in the local telephone markets today and will not be the case in most ILECs territories for the foreseeable future. Competing companies will continue to rely on ILEC networks to provide services to end-users.

We support the proposed list of accounts contained in the FCC's June 8, 2001 Public Notice. In particular, the addition of the following accounts recognizes the evolution that is occurring in telecommunications today and will provide regulators with necessary information.

- Sub-accounts for circuit and packet switches under Digital Electronic Switching investment (2212) and expense (6212) accounts.
- New Optical Switch investment (2213) and expense (6213) accounts with sub-accounts for circuit and packet switches.

No. of Copies rec'd 0
List A B C D E

- Sub-accounts for electronic and optical equipment under Circuit Equipment investment (2232) and expense (6232) accounts.
- Sub-account for Network Software under Intangibles asset (2690) account.
- New Interconnection revenue (5086) and expense (6551) accounts with sub-accounts for UNE, resale, reciprocal compensation and other.
- New USF Support revenue (5090) account.

It is important to recognize that different technologies provide different functions and usually have significantly different cost characteristics. New technologies typically cost less and provide more options to consumers at lower prices. It is important to be able to readily identify these different technologies and costs. The inclusion of these accounts is an important tool for regulators.

As we continue to evolve towards a competitive marketplace, it is crucial for regulators to be able to adequately identify investment, expenses, and revenues particularly as they relate to wholesale and retail operations as well as universal service. Without this necessary information, regulators will be severely hindered if not prevented from creating a fair and competitive marketplace. This is contrary to the intention of the Telecommunications Act of 1996. We are encouraged by the recognition of these facts in the FCC's June 8th, 2001 Public Notice. However, significant concerns remain in certain plant, expense, and revenue accounts.

The Submarine and Deep Sea cable accounts 2424 and 2425, respectively, should not be aggregated with the Buried Cable account 2423. Submarine and Deep Sea cable have significantly higher placement and maintenance costs. Moreover, Submarine and Deep Sea cable costs are primarily international in nature and have little or no bearing on state costs. As a result, this aggregation will distort and inflate cable costs and will either result in overstated interconnection and universal service costs or force states into difficult and time-consumer proceedings to identify and remove these investments.

The Customer Deposits account 4040 should not be aggregated into a combined Current Liabilities account that is proposed to contain current accounts 4000-4060. Many states require that customer deposits be removed costs during rate-making proceeding. Absent a separate account, removal and verification will be much more difficult.

The Basic Area and Local Private Line revenue accounts 5001 and 5040, respectively, should not be aggregated into a combined Basic Local Service Revenue account that is proposed to contain current accounts 5000-5069. Basic Area and Local Private Line are unique in that they are services that receive or may receive universal service support at both a federal and state level. In determining universal service support, it is critical to be able to identify and verify the revenues generated by these services.

The Directory revenue account 5230 should not be aggregated into a combined Miscellaneous revenue account that is proposed to contain current accounts 5230-5270. Directory services are a separate and distinct line of business. Aggregating directory service revenues with other revenues will hinder or prevent state attempts to monitor this highly profitable line of service.

Sub-accounts for wholesale and retail expenses should be added under a combined Customer Service Expense account that is proposed to contain current accounts 6620-6623. As discussed above, it is crucial for regulators to be able to identify wholesale and retail expenses separately. This aggregation will distort cost study results and hinder the development of universal service support and interconnection prices. Again, states may be forced to undertake difficult and time-consuming proceedings to identify and separate these costs.

These additional accounts, when combined with the proposed reduced Class A accounting structure, are necessary for the FCC and state regulators to appropriately determine universal service funding levels, customers rates in rate of return states, and UNE and interconnection prices. We urge the FCC to adopt the proposals contained herein.

Sincerely,

Frank E. Landis, Chair

Anne C. Boyle, Vice-Chair

Lowell C. Johnson

Rod Johnson

Gerald L. Vap

cc: ITS, Inc.
1231 South 20th Street, N.W.
Washington, DC 20036